3

Resources, Mechanisms and Instruments for Coordination

3.1 Mechanisms of coordination

Coordination is not a simple political and administrative problem. It can imply a wide range of problems within the public sector, and the need for cooperation may arise for a variety of administrative and political reasons. It is not surprising therefore that scholars have advanced theoretical approaches to understanding this subject through social science theory, nor that practitioners have tried a variety of methods to achieve coordination. The theoretical approaches to the range of coordination problems are in most instances the same as those utilized in many other areas of inquiry in political science. Probing their applicability for understanding coordination, however, enables us to understand better how coordination can be brought about, and helps us gain an idea of the range of possible solutions to the common problem of achieving cooperation.

In addition to the three dominant theoretical approaches – hierarchy, markets and networks – we will attempt to identify the fundamental social processes that are involved in making coordination work, within and among organizations. The underlying argument here (based on Hedström and Swedberg 1998) is that to understand social and political dynamics it is necessary to identify the basic processes and resources, such as bargaining, cooptation and coercion, that are required to make coordination (or other organizational processes) function effectively. These basic processes are authority, power, information, bargaining, mutual cooptation and norms (Peters 2003).

We thus discern three alternative theoretical approaches to coordination in the public sector. Each of these approaches has something to contribute to understanding the causes of coordination problems,

the gains to be achieved through coordination, and the mechanisms through which better coordination can be achieved. The distinction between hierarchies, markets and networks as three fundamental mechanisms of coordination in social life is widely accepted in the literature (Thompson et al. 1991; O'Toole 1997; Kaufmann et al. 1986). Table 3.1 presents their basic features. Within hierarchical institutional arrangements the central pattern of interaction is authority, operationalized in administrative orders, rules and planning on the one hand and dominance and authority as the basic control system on the other. Markets as coordinating institutions are based on competition, bargaining and exchange between actors. The price mechanism, incentives and the self-interest of actors coordinate the activities of the different actors by creating an 'invisible hand'. Coordination within networks takes the

Table 3.1 The features of hierarchies, markets and networks

	Hierarchy	**Market**	**Network**
Base of interaction	Authority and dominance	Exchange and competition	Cooperation and solidarity
Purpose	Consciously designed and controlled goals	Spontaneously created results	Consciously designed purposes or spontaneously created results
Guidance, control and evaluation	Top-down norms and standards, routines, supervision, inspection, intervention	Supply and demand, price mechanism, self-interest, profit and losses as evaluation, courts, invisible hand	Shared values, common problem analyses, consensus, loyalty, reciprocity, trust, informal evaluation – reputation
Role of government	Top-down rule-maker and steerer; dependent actors are controlled by rules	Creator and guardian of markets, purchaser of goods; actors are independent	Network enabler, network manager and network participant
Resources needed	Authority Power	Bargaining Information Power	Mutual cooptation Trust
Theoretical basis	Weberian bureaucracy	Neo-institutional economics	Network theory

Sources: Based on Thompson et al. (1991); O'Toole (1997); Kaufmann et al. (1986); Peters (2003).

form of cooperation between actors whose interorganizational relations are ruled by the acknowledgement of mutual interdependencies, trust and the responsibilities of each actor.

In our opinion these three mechanisms provide a useful typology for analysing coordination efforts within the public sector.[1] This typology matches the classification made by Alexander (1995: 36–40; see also Mulford and Rogers 1982: 17–31) in which he ranks coordination strategies by their level of voluntarism/coerciveness. He distinguishes between control strategies, based on authority, structural changes (hierarchy) or competition (market) on the one hand, and cooperative strategies, based on mutual exchange of resources, cooptation and information (network/s). Similarly, besides hierarchical and market-based interorganizational coordination structures and systems, he distinguishes coordination structures and systems based on solidarity–association, which builds on trust-based consensus or agreement (Alexander 1995: 55, see also Hegner 1986: 415–23). The hierarchy–market–network typology proves to be a powerful analytical tool, at least at a generic level, as it has been used by several scholars at different levels. Hegner (1986), for example, applies an analogous typology to different levels of social interaction (society, organizational fields, organization, group, individuals). Ouchi's basic forms for control within organizations (bureaucratic, market and social mechanism) reflect the same triology (Ouchi 1980; Vosselman 1996). Others develop future scenarios for local governance based on the triology of hierarchy, market and networks (Bouckaert et al. 2002). Van Heffen and Klok (2000) use it to distinguish different models of the State. Interorganizational relations and partnerships between government, public and private organizations are analysed by Osborne (2002), as well as by Lowndes and Skelcher (2002).

We will look to each of these mechanisms in more detail by elaborating on their basic characteristics, the specific way they manifest themselves in more specific coordination instruments, and by referring to the processes and resources that they most draw upon. The differences between these three coordination mechanisms lie in the extent to which they need these specific kinds of processes and resources.

Hierarchy as a coordination mechanism

Hierarchy is the most familiar mechanism used to produce coordination between programmes and organizations within the public sector. The use of hierarchy to coordinate within the public sector is theoretically framed in the bureaucratic theory of Weber (1947) with its emphasis on division of labour on the one hand and on rules, procedures and

authority as coordination instruments on the other hand. The hierarchical coordination mechanism draws primarily on authority and power as fundamental processes and resources. Without labouring the point, authority implies legitimacy and the 'ability to get things done without opposition'.[2] In other words, if there is authority a government can govern simply by expressing its belief in the appropriateness of certain behaviours, including the coordination of programmes. If a government does not have authority it may have to utilize power to achieve its purposes. That is, governments may be able to overcome resistance to their expressed desires through the use of law, budgets and, if absolutely necessary, legitimate coercion.

For management and control within public organizations the use of hierarchy can have two aspects: *bureaucratic hierarchical control* and *political hierarchical control*. The first is based on the assumption that public organizations remain basic bureaucracies that are controlled by rules and internal authority. While the numerous administrative reforms of the past decade might easily lead one to question this assumption (Pollitt and Bouckaert 2004; Christensen and Laegreid 2001), there is still a pronounced element of legalism and formalism in government. To some extent the nature of the public sector requires that there must be some formal rules that guide the behaviour of participants in the governing process and specify the rights and obligations of citizens and administrators.

The alternative conception of hierarchy in the public sector is more political. In this view public-sector organizations and their behaviour are ultimately controlled by political leaders. Control exercised by those politicians is often imperfect, and hence the bureaucratic elements of hierarchy may actually dominate, but there are nevertheless attempts by politicians to rule. Therefore, many of the hierarchical methods of control discussed here depend heavily upon the willingness of politicians to assert their formal powers.

Hierarchy-type coordination could be considered as a control strategy for coordinating organizations' behaviour 'by biasing their decisions to produce action which they might otherwise not have taken' (Alexander 1995: 37). Hierarchy-based coordination efforts may exist in a variety of forms within the public sector, ranging from issuing *legislation and other mandates* to structure patterns of coordination within the public sector, to control efforts, to more procedural mechanisms. Basically, these means involve the *mandated* change of division of labour between public-sector organizations, the autonomy, function and domain of these organizations, and their legitimacy and positioning in relation to

other organizations, based on command and control. Several of them refer to what Alexander calls coordination by 'structural positioning' (1995: 38) or what has elsewhere been called 'coordination by architecture' (Hood 2005).

A first means is (the right/power of cabinet, ministers or senior management) *to reallocate and change the division of labour* within the public sector by merging or splitting organizations. Shifts of competencies and tasks between departments or agencies may bring related activities within the same organization, and as such internalize and, ultimately, reduce needs for coordination between organizations. Related activities could be brought together by centralizing or merging them in one organization (Hult 1987). However, even decentralization may enhance coordination of related policy fields under certain conditions. One can devolve more operational competencies to an agency or regional body in order to facilitate coordination of strategic issues at the remaining and smaller centre. Reorganizing the governmental apparatus by changing the basic principle of specialization, such as from a function-based organization to a clientele- or an area-based organization (see Gulick 1937), involves shifts of competencies and tasks between public organizations, and is mostly aimed at improving the coordination of activities applying to the same target group or area.

Establishing and changing lines of control is another structural, hierarchical way for achieving better coordination (Alexander 1995: 39). Hierarchical superiors in the executive branch of government – prime ministers and their associates, ministries of finance, and other central departments such as those managing government staff issues and budgets – may issue specific orders to individual subordinate organizations about their objectives, tasks and operations. At a lower level, ministers can use their own authority and lines of control to ensure congruous behaviours within their own departments. As such, organizations are forced to align their activities more closely with adjacent organizations, to avoid duplications or gaps. Alternatively, subordinate organizations can be pressed to coordinate their activities in line with the goals of the government of the day. Another means would be to enhance coordination by establishing cross-cutting lines of control, through the introduction of lateral management systems (project and matrix management). Similarly, governments may create a specific coordinating functionary or unit responsible for the guidance and monitoring of some plan or objective, such as the prime minister as coordinator within the cabinet, coordinating ministers in the Netherlands, coordinating units in the Cabinet Office in the UK, or the *préfet* in France. In all these instances,

political or administrative control is imposed over bureaucratic organizations, even though those organizations may have the capacity to govern a particular policy area effectively on their own.

As well, *planning and budgeting processes* within government may be used in a hierarchical way. Planning and strategic management systems may formulate government-wide and organization-specific objectives from the top down, leaving little room for negotiation with or input from subordinate organizations. More broadly, in a bureaucracy, the discretion for organizations to use their resources (such as personnel or finances) as they see fit is very restricted, as many rules and regulations impose strict controls by central departments. These strict controls foster uniformity between organizations and may, for example, enhance the mobility of personnel between public organizations. The traditional input-oriented financial management system, comprising budget, accounting and audit subsystems, stipulates clearly and in great detail which resources should be spent on what. In such a financial management system, budgetary savings are expressed as unilateral demands, which all organizations have to comply with. More modern output-oriented financial management systems allow for more management autonomy and attenuate the hierarchical dimension to some extent (for the changing role of central departments, see Hart 1998).

As well as the direct application of authority to produce coordination, governments may also develop *procedural mechanisms or routines* to achieve the same purposes. Standard operating procedures (Mintzberg 1979) may enhance the standardization of similar or related processes in different organizations. In some instances these mechanisms may simply require one programme informing another of their actions (Davis 1996). More explicit forms include mandated consultation or review systems, and forced points of passage during the preparation of policy initiatives, such as the requirement for new policy proposals to be commented on by all the various departments before submission to the Cabinet (OECD 1996). In other instances procedures have placed individual programmes into larger *strategic assemblies of programmes*, and have created comprehensive approaches to major public problems (see Ministry of Finance, Finland 2001). The feature common to all these expressions of the hierarchical coordination mechanism is that authority and power are used to make coordination more or less automatic among organizations and programmes, or at least are used to impose coordination on organizations and individuals. Public organizations' activities are coordinated by the direct control by the government of individual public organizations (see Figure 3.1).

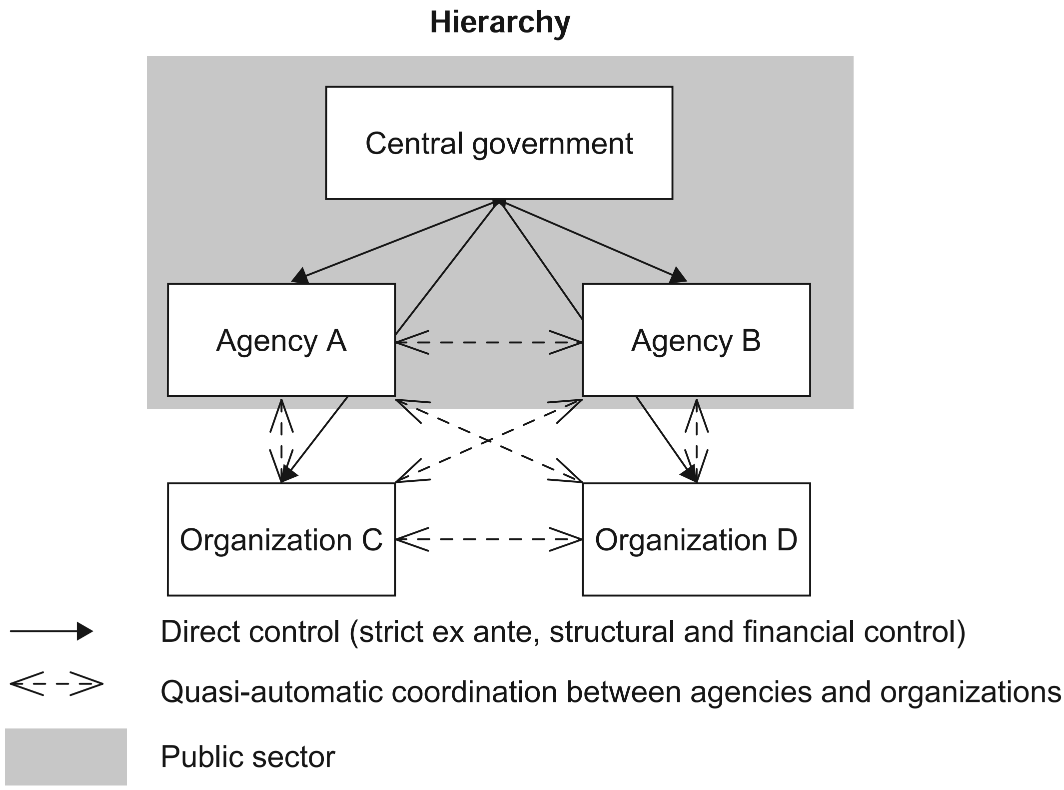

Figure 3.1 Coordination by hierarchy-type mechanisms (HTM)

While hierarchy is the conventional means of coping with coordination and most other problems of governing, it is a far from foolproof means of achieving its ends (see Chisholm 1989). All governments require some delegation of authority (Huber and Shipan 2002) in order to be able to govern efficiently, and this delegation in the case of more or less autonomous public organizations is in practice quite extensive. Even in the decentralized, reformed structures that have become central formats for governing in many contemporary political systems, there are important hierarchical elements that may contribute to problems of coordination. For example, even reforms such as the creation of autonomous and quasi-autonomous organizations within government (Pollitt et al. 2005) tend to retain some forms of hierarchical control for leaders in the public sector. Indeed, the notion of autonomy in the public sector is often over-sold in both analytic and practical terms (see Verhoest et al. 2004). The real question to be tackled in understanding autonomy and control is: What forms of control remain and how are they imposed on the presumably autonomous organizations? The management difficulty then lies in finding means to balance the rightful autonomy of public organizations with the need to govern in a more coherent and coordinated manner.

Markets as coordination mechanisms

Markets constitute the second basic mechanism for coordination, with exchange among actors being central in producing the desired outcomes. In their most basic form markets are inherently a means of coordination, bringing together buyers and sellers, and equilibrating supply and demand through a price mechanism. Without the creation of markets, through laws establishing property rights and providing for the enforcement of contracts, buying and selling would be very difficult and expensive. Once established and functioning properly, markets are able to rather effortlessly coordinate the actions of buyers and sellers, using the price mechanism as a means of finding an appropriate level at which buyers and sellers can both be satisfied. The use of markets as coordination mechanisms builds mainly on bargaining as basic process and resource. Moreover, market forms of coordination also involve some elements of both information and power. Bargaining among programmes may be dependent upon the availability of information about the programmes, and making the negotiation system effective may require backing with power (or authority) (Peters 2003).

Markets perform their coordination function most optimally when there are enough purchasers and providers, when providers can enter and exit the market without incurring high costs, when there is full transparency as to information about prices and quality of services (Le Grand and Bartlett 1993; Plug et al. 2003: 14). Competition is a basic mechanism for 'controlling' the behaviour of the organizations in the market. According to Alexander (1995: 57), markets as a coordination mechanism need no formal links between member organizations: 'coordinated decisions are the systemic result of partisan mutual adjustment of each unit in the market to its perceived environment.' Organizations react to the perceived signals of price, offer and demand and the strategies of competitors. As such, the coordination of actions is done by the 'invisible hand' of the market.

This neoclassical conception of the market may work well for economic exchanges but does not apply directly to decision-making situations within government (see, for another viewpoint, Alexander 1995: 57). Given that markets are relatively indeterminate, the incentives available to the actors must be structured by some central authority in order to produce the outcomes that government would want. However, relationships analogous to markets can be created within the public sector. The idea of market-type coordination within government finds a strong theoretical basis in public choice theory (Niskanen 1971) and economic neo-institutionalism, like property rights and agency theory

(Furubotn and Pejovich 1974; Jensen and Meckling 1976; Pratt and Zeckhauser 1991). These theoretical frameworks emphasize the importance of competition, result-oriented contracts and performance-related incentives as instruments for controlling public-sector organizations in an efficient way.

Market-type coordination mechanisms in the public sector can take several forms. Within the public sector, regulated quasi-markets and economic incentives can be used to create the incentives for actors to coordinate, and to enhance their collective performance (for example, the 'common resource pool' of Ostrom 1990). Some of the more prominent examples of programmes using market-type mechanisms for coordination have been found in the health sector. Quasi-markets have been used to bring together purchasers and providers through contracts. The primary intention of these programmes has been to lower costs and enhance the efficient allocation of resources (Jerome-Forget et al. 1995). Internal markets have also been used in areas such as elderly care, housing and child care (Le Grand and Bartlett 1993; OECD 1993). Whereas network coordination could involve both policy development and implementation, market-type mechanisms are generally reserved for matters of policy implementation (with experiments in New Zealand as an exception). When operating in a well-regulated market, a public-service provider will get clear signals as to what extent the quality and level of their services can be adjusted both to the demand of its users and to the supply by other service providers, through changes in the level of income the public service provider yields from selling its services, as well as through changes in market shares. In that respect, a kind of automatic coordination occurs between services provided by public organizations and other organizations that provide similar services. As well, price and contracts ensure coordination of activities between public organizations as purchasers and public organizations as providers.

When creating such markets, the government must ensure at least two conditions: 1) there must be a clear link between the service of a public organization and the price that reflects the (fluctuating) value of the service on the market, and; 2) there must be competition between providing organizations and freedom of choice for the users of the service. Therefore, government must regulate (or deregulate) such things as market entry and exit, price formation, and set minimum standards for quality, safety and guarantees of accessibility for each kind of user. The government has to monitor the market, avoid monopolies or monopsonies, and to sanction non-compliant organizations. In this respect government acts as the 'midwife' of markets (Plug et al. 2003;

Walsh 1995). So, government can deliberately construct, regulate and shape markets that involve public-sector organizations. Moreover, market creation has been explicitly enhanced by EU liberalization policies, such as in the field of telecommunications, public transport, postal services and energy.

The use of contracting within the public sector can be considered a central element in the introduction of market-type coordination.[3] This is particularly the case if the contracts stress clear objectives, targets and harsh sanctions in case of contract failure (in contrast with the more 'relational' type of contracting – see Williamson 1985; Davis and Walker 1998). Contracts imply – at least rhetorically – the element of reciprocal relations between equal partners which bargain for the exchange of products for financial return. Per definition, in contractual relations, the hierarchical element is diminished.[4] Contracts exist between political principals and public-sector bodies and between public purchasers and providers within internal and quasi-markets.

Within such markets and contracts, incentives to increase organizational performance through linking funding to performance are crucial. More broadly, the financial management systems within government can have a strong market orientation. For example, one can think of a result-oriented financial management system in which the organizational funding is linked to the expected or past performance (p*q) of the organizations and in which financial sanctions are applied in case of underperformance. Such budgeting is a precondition for creating (quasi-)markets. In such systems, budgets, accounts and audits will be geared towards organizational performance.

Figure 3.2 shows the optimal operation of coordination through market-type mechanisms. The coordination of public organizations is mainly 'horizontal' self-coordination induced by the forces of price, competition, supply and demand. Relations between public organizations are mainly based on contractual exchange. The government mainly acts as a market creator and regulator. To the extent that government controls public providers, this control is mainly indirect and ex-post in nature.

Networks as coordination mechanisms

Networks are the third of the fundamental modes of explanation of coordination in the public sector. In many ways thinking about the utilization of networks in the public sector should be a natural part of analysing coordination, and indeed a certain amount of coordination – leading to networks – always takes place with or without conscious design

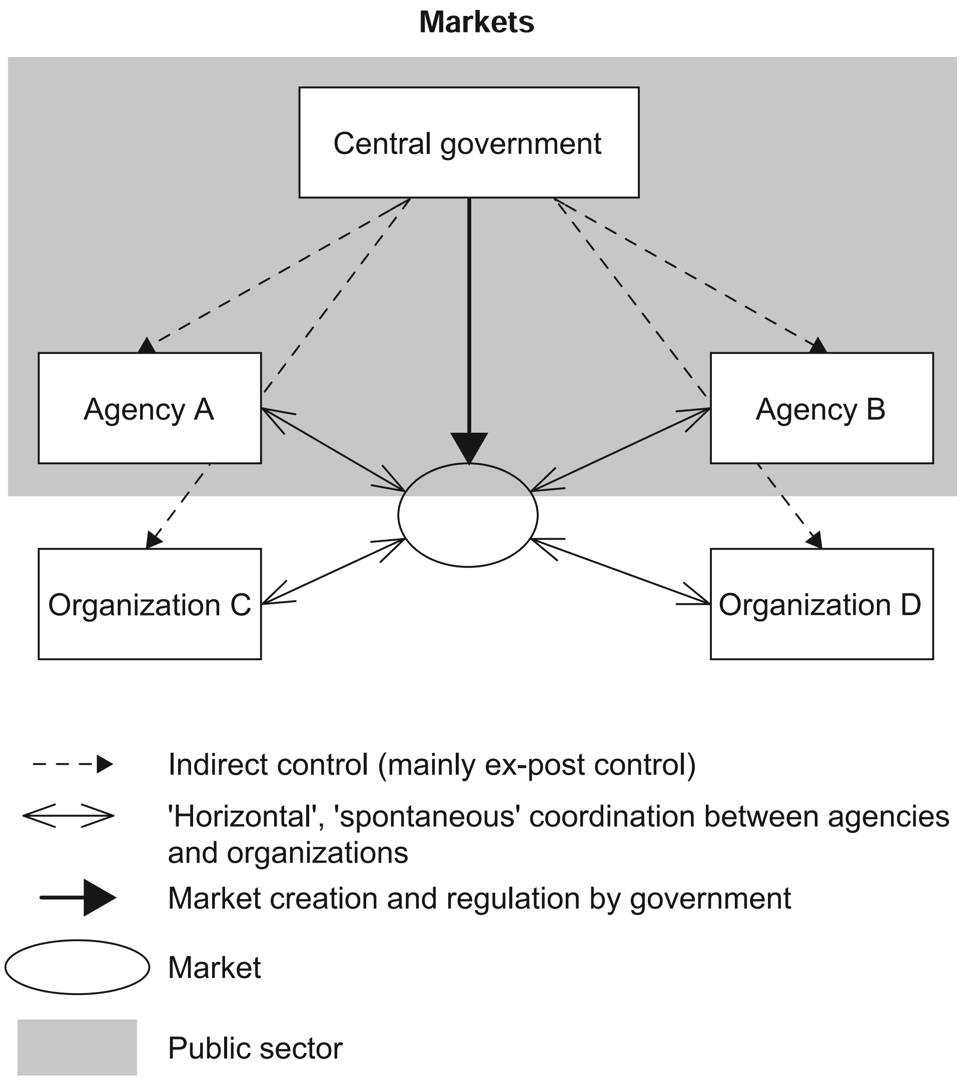

Figure 3.2 Coordination by market-type mechanisms (MTM)

by government officials. Networks are here considered as an alternative form of governance and coordination, and depend more on voluntary collaborative actions by and solidarity between relevant organizations (Kooiman 1993; Börzel 1998; Powell 1991). A general definition of networks would be: '(more or less) stable patterns of cooperative interaction between mutually dependent actors around specific issues of policy (or management)' (based on Kickert et al. 1997: 6; Klijn and Koppenjan 2000).

Rather than having coordination imposed 'vertically' from above and depending primarily on authority to achieve its purposes, horizontal coordination in network-type arrangements tends to depend upon bargaining, negotiation and mutual cooptation among the participants (Peters 2003). In the first instance, the members of the networks develop some reciprocal trust so that they can accept each others'

actions in good faith and also believe that any bargain struck will be effective. Coordination using authority may be achieved relatively quickly if the participants in the process accept the legitimacy of the central actors, but coordination through networks will require some time and some interactions in order to be sufficiently reliable. There should be some information-sharing among the organizations so that a minimum basis for coordination and coherence can be satisfied.

Within the existing literature on coordination through inter-organizational systems there has been a gradual evolution of conceptual models. Initially the inter-organizational literature that developed within the sociology and management literatures identified the interdependence of organizations and the need to structure their interaction. In political science the literature on inter-organizational analysis grew out of studies of policy implementation (such as Pressman and Wildavsky 1974; Metcalfe 1976). This literature tends to focus on the individual organization and its placement in a web of interconnections with other organizations operating in its 'field'. Inevitably this approach involves some of the logic of networks of organizations, but the primary emphasis is on the individual organizations. As the literature has evolved, the more contemporary network literature provides a development of and to some extent a complementary perspective on the interaction of multiple organizations as a means of reaching some collective goals.

What forms may network-type coordination take? Alexander (1995: 36–7) refers to different strategies for coordination that may be relevant in this context. Cooperative strategies involve voluntary interaction and collaboration through bargaining and resource exchange, co-sponsorship and cooptation. Communicative strategies, information-based and persuasive strategies build on mutual awareness of interdependence and common interests, on common values or partisanship. And cultural strategies depend on compatibility between goals or core values of organizations (see also Sharpe 1985).

One important early analysis of inter-organizational relations involved in coordination (Rogers and Whetten 1982: 19) argued that there were three alternative strategies for managing coordination, all within this broader approach to inter-agency relations. First, the 'mutual adjustment model' in the inter-organizational approach refers to interactions that are loosely structured and depend upon creating informal norms and modifying agency goals. The intermediate level in this taxonomy of interorganizational relations is described as the 'alliance model', in which there are negotiated rules and a mixture of collective and agency (organizational) goals. This alliance model implies that organizations

are at once pursuing their own goals and using the inter-organizational environment in which they function as a means of pursuing those goals. At the same time they must recognize that they are members of the collectivity of organizations and that there are some collective goals (if only incoherent ones at times) that can only be achieved through cooperation. The negotiation among the various organizations will define the collective goals and each partners' contribution. At the other end of the spectrum, the 'corporate strategy model' was said to be a highly formalized and centralized pattern of interactions among the participants, regulating the interactions of the actors involved through formal rules. As the name implies this approach is very much in the vein of traditional management within private-sector corporations and relates closely to hierarchy-type mechanisms. Building on this framework, we distinguish different levels of network-type coordination with respect to the extent of cooperation between organizations, ranging from simple information exchange between bodies, to platforms for concertation to negotiation, and to joint decision-making bodies and even joint organizations (see 6 2005: 50; or Alter and Hage 1993: 44–80; see Alexander 1995: 63 for a somewhat similar continuum).

As well, management systems may support the public sector in order to act as a network of mutual interdependent actors, collaborating for collective goals. Some countries experiment with financial management systems which focus on the consolidation and exchange of financial and non-financial information over organizations. These systems also provide for joint budgets, or budget sharing, in order to encourage the achievement of joint goals. Systems for strategic planning may be predominantly bottom-up or interactive, allowing for a heavy input of lower-level bodies in the construction of overall objectives.

Even the use of contracts can be an expression of network forms of coordination, more specifically when contracts have a strong 'relational' nature (Williamson 1985, 1993). In this context, contracts are intended to solidify long-term relationships among the actors, rather than simply to create a one-time relationship between a buyer and a seller. In a strictly market conception of policy each 'deal' would be struck from new, but in practice a great deal of contracting is repetitive, and the participants minimize their decision-making costs rather than maximize possible economic gains.[5] This style of decision-making demonstrates the importance of trust in the creation and maintenance of networks (Williamson 1993). In relational contracts, the emphasis is on procedures used to strengthen the relationship, on extensive interaction, and on common objectives, instead of detailed targets, extensive

reporting and auditing provisions, and hard sanctions (Williamson 1985; Walsh 1995; Davis and Walker 1998; Verhoest 2005).

Coordination through networks can also take more informal forms. Chisholm (1989) has argued that although most analyses of coordination are based on hierarchy and the use of formal powers, effective coordination can be achieved by relying upon more informal mechanisms. There is a long and important literature (Gouldner 1954; Crozier 1964) on informal organization within individual organizations, and some of the same logic can be applied to the study of groups of organizations within the public sector. Just as informal patterns of interaction within an organization can enhance the performance of that organization by supplementing and bypassing the formal structure, the same may be true of the role of informal interactions as a means of coping with rigidities in the interactions among organizations in the public sector.

Within networks common values as well as common problem definitions among partners are crucial in order to achieve collective action (Kickert et al. 1997). Likewise, Mintzberg considers 'standardization of norms and values' as an important means for intra-organizational coordination. In that perspective, a common political or corporate culture that may exist among a set of actors may produce coordination with minimal formal interaction (OECD 1996; Oden 1997). One description of the logic of cartels has been that rather than formal collusion there may simply be a *corpsgeist* held by the executives that results in similar behaviour (see Alexander 1995: 74). Further, as already noted, professionals in different organizations may well respond in similar ways when confronted with a particular policy challenge, and therefore the organizations in which those professionals work may appear more coordinated than they actually are. Finally, the public sector itself may have a management culture that is sufficiently consistent to produce relatively common behaviour across a wide range of organizations.

Besides that, there are the informal contacts and linkages between individuals and organizations. The civil service itself is one of the most important informal structures in government. Although the civil service can be conceptualized as an institution in its own right, it can also be seen as a network of individuals who occupy crucial roles in the system of governance. Perhaps most importantly, the majority of civil servants experience a long career in government and may work with one another, and with politicians, over decades. The civil service is especially viable as a coordination network in civil service systems such as those of the United Kingdom in which civil servants continue to occupy positions in a number of government ministries over the

course of their careers (Page and Wright 1999). Given these diverse careers, the civil servants are more likely to have some understanding of the full range of government activity than those in civil services such as that of the United States with its more specialized career patterns (Peters 2001). Even in the specialized systems, however, civil services may be a natural source of coordination for government given that they are charged with implementing policy and need to find means of working with government to make that happen. Also, informal networks can cut across the civil service by linking individuals with the same political affiliation (Rouban 2003) or the same educational training, such as the '*Corps administratifs*' in France or the Oxbridge culture in the UK (Peters 2001).

From a government perspective coordination by network and cooperation among its public organizations evolves rather 'spontaneously' in a horizontal way. Coordination results from the more or less independent interactions of those organizations each attempting to pursue its own interests in that environment. However, in the contemporary 'governance' literature it is acknowledged that government can play an important role in creating, managing and sustaining cooperative networks among its public organizations (and other bodies), using 'horizontal' and 'spontaneous' coordination to enhance its policy implementation. Nevertheless, the role and position of government is totally different from where government uses hierarchy-type mechanisms to coordinate the activities of organizations (see Kickert et al. 1997: 12, Table 2). The concept of 'network management' refers to 'the coordination of the strategies of organizations with different goals and interests around a specific problem or policy issue within a network of interorganizational relations'. A distinction is made between 'process management' and 'network constitution' (Klijn and Koppenjan 2000: 140–1; Kickert et al. 1997: 170). In several policy fields, that is, those that do not belong to the Treaties and therefore cannot be covered by the EU officially, the European Commission developed the Open Method of Co-ordination. During the past decade European governments have introduced fora for coordination of activities and views between its public organizations, private organizations, interest groups and/or citizens. Examples are to be found in fields such as regional development, employment and education, mobility and infrastructure, social housing and child care. Figure 3.3 summarizes the main elements of network coordination, in which coordination occurs mainly horizontally between public-sector organizations, with government acting as a network manager.

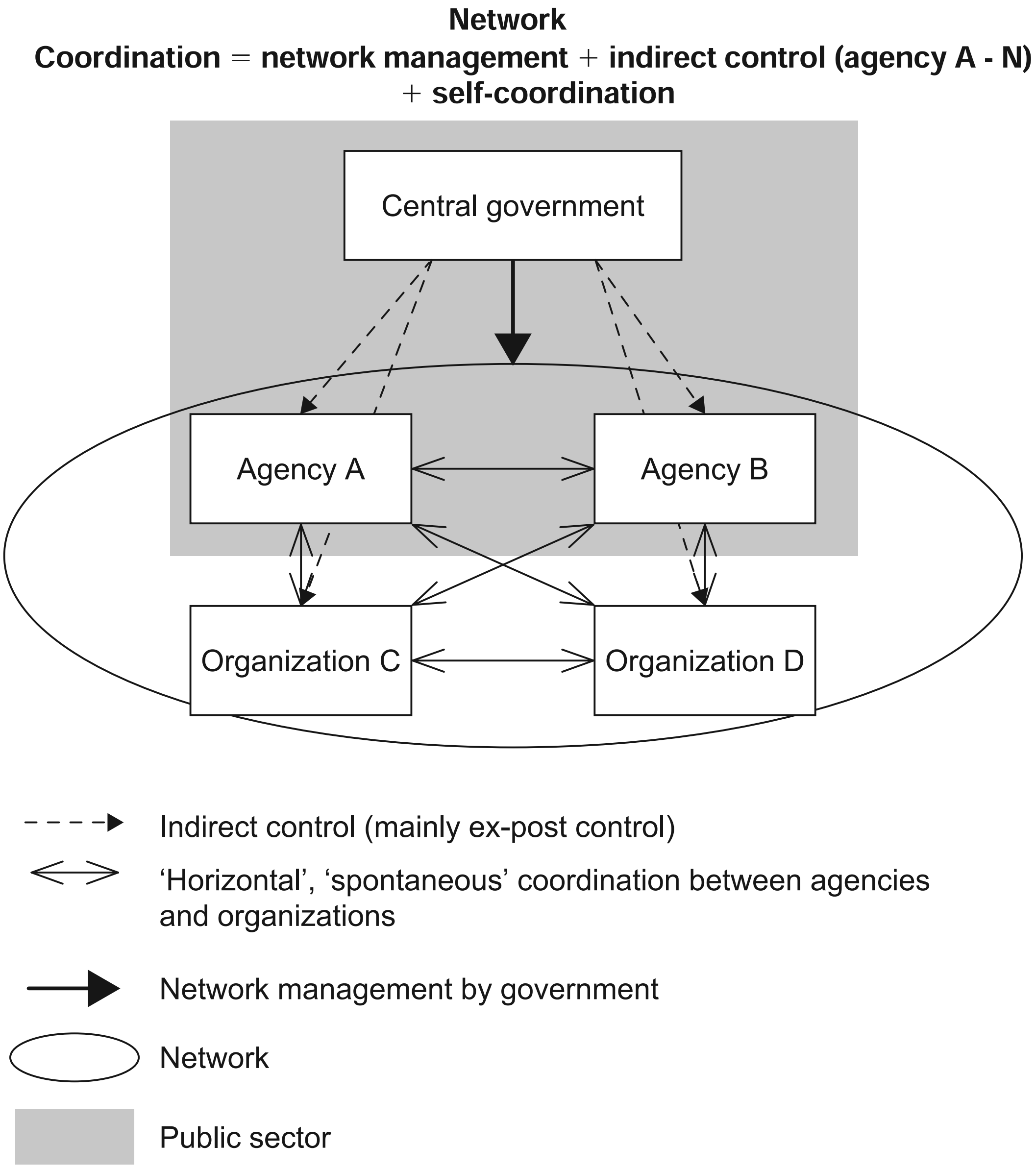

Figure 3.3 Coordination by network-type mechanisms (NTM) and forms of control

To summarize, we consider coordination through three types of mechanisms.[6] First, hierarchy-type mechanisms (HTM) require, according to Peters (2003), authority (based on legitimacy) and power (use of law, budgets and coercion) as resources for coordination. HTM focus on objective-setting and rule-making, on allocation of tasks and responsibilities, and on lines of control. Second, market-type mechanisms (MTM) aim for the creation of incentives to enhance the performance of public actors. These mechanisms rest on a substantial mobilization of bargaining and information as coordination capacity resources. Third, network-type mechanisms (NTM) search for the establishment of common knowledge, common values and common strategies between

partners. The fundamental resources employed by governments who coordinate by NTM are information, norms and, to a lesser extent, mutual cooptation and bargaining.

Each of the three approaches can illuminate some aspects of the politics of coordination, but each also has some important explanatory deficiencies. Although we have discussed these approaches as alternatives to one another, in reality many attempts on the part of government to enhance coordination will involve more than one of them. Under certain circumstances attempts to impose direct hierarchical control over an organization or set of organizations will work better if the coordinators can build a more cooperative network among the organizations involved or among lower-level employees in those organizations. On the other hand, attempts to coordinate more from the bottom up will work better if hierarchy casts a deep, dark shadow on the participants. As well as providing an intellectual understanding of policy coordination, these three approaches are also closely related to a set of *instruments*. In the next section we will discuss these instruments in more detail.

3.2 From mechanisms to instruments for coordination

We now turn to the *instruments* that may be used within the public sector to coordinate several organizations. The coordination instruments are specific activities or structures created to bring about coordination. The three coordination mechanisms (HTM, MTM, NTM) discussed in the previous section are of a more general and abstract level. They refer to the basic processes which may underpin coordination efforts and instruments (authority, price and competition, or trust and solidarity). As such, specific coordination instruments may refer to specific coordination mechanisms, since the instruments may function mainly by using authority (hierarchy), competition (market) or cooperation (network). But as we will argue, certain coordination instruments may be used in different ways, for example, in a hierarchical or more network-like way.

Organization and management theorists regard integration and coordination, next to task allocation and differentiation, as essential elements of organizing. The early developers of contingency theory – Lawrence and Lorsh (1967), for example – state that the more differentiation there is within organizations, the more complex coordination and integration mechanisms are needed. Several early scholars in organizational studies developed lists of coordination instruments that can be used within

organizations (Thompson 1967; Galbraith 1973; March and Simon 1958; Lawrence and Lorsh 1967). Summarizing the organizational theory literature in his well-known book *The Structure of Organizations*, Mintzberg (1979) defines several means of coordination within organizations, including mutual adjustment, direct supervision, and standardization of work processes, output and skills. Later, he added standardization of norms and values as an intra-organizational coordination instrument.

In the more specific theoretical literature on inter-organizational coordination, as well as in the practitioner-oriented literature on joined-up government, several typologies of instruments are to be found (Alexander 1995; 6 2004; OECD 1996, Ling 2002), which differ to some extent in focus, level of pragmatism and completeness. The typology of 'interorganisational coordination structures' developed by Alexander (1995: 55) is probably the most elaborate and comprehensive of those mentioned, although it mainly focuses on structural tools. It is particularly interesting because of its implicit distinction between coordination structures and non-structural instruments, and for its positioning of structures on hierarchy–networks–markets continuums and on different levels of analysis (micro, meso and meta). The typology developed by Perri 6 (2004) is rather generic, setting out a continuum of increasing collaboration and integration, ranging from short-term to long-term perspectives, and ending with the most extreme form of coordination – a full merger of organizations. But the typology is rather limited; there are no market-type instruments distinguished and there is a strong emphasis on more structural forms. The two other typologies are less well-structured, less generic and more practitioner-oriented; indeed the OECD typology (1996) was developed as a toolkit for strengthening policy coherence. However, both typologies are interesting since they emphasize cultural forms of coordination such as leadership, administrative culture, exchange, joint training of staff, and the development of cross-cutting skills. In addition to the instruments related to culture and human resource management, the typologies also refer to instruments linked to the budgeting and financial management system (joint budgeting and budget sharing, for example) or the strategic management system. In that respect, they complement the typologies of Alexander and 6. Again, neither mentions market-like instruments.

Largely based on these and drawing from empirical international comparative research we developed our own typology of coordination instruments (see Table 3.2). Our typology encompasses most of the instruments in the other typologies, but frames them in very general terms. This allows the typology to be used to classify similar coordination

Table 3.2 Clusters of coordination instruments

Instrument	Underlying mechanism	Involved source of coordination capacity					
		Authority	Power	Bargaining	Information	Norms	Mutual cooptation
Management instruments							
1. Strategic management (planning and evaluation) Dependent of primary objective and process	NTM – HTM						
1.1. Bottom-up and interactive strategic management	NTM			+	+		+
1.2. Top-down and unilateral strategic management	HTM	+	+				
2. Financial management (budgeting, accounting and audit) Dependent on objective and focus	HTM – MTM – NTM						
2.1. Traditional input-oriented financial management systems	HTM	+	+	+			
2.2. Results-oriented financial management systems focused on incentives for units	MTM			+			

2.3. Results-oriented financial management systems oriented towards information exchange and consolidation according to policy portfolios	NTM				+		
3. Inter-organizational learning: culture management (by means of training, rotation, career management, internal job market); competence and information management	Mainly NTM/ MTM				+	+	+
4. Procedural instruments concerning mandated consultation and review	Mainly HTM/NTM depending on compulsory nature	+		(+)	+		
Structural instruments							
5. Reshuffling of competencies: organizational merger or splits; centralization (decentralization)	Mainly HTM	+	+				
6. Reshuffling of lines of control	Mainly HTM	+	+				
7. Establishment of a specific coordinating function or entity; lines of control							

(*Continued*)

Table 3.2 Continued

Instrument	Underlying mechanism	Involved source of coordination capacity					
		Authority	Power	Bargaining	Information	Norms	Mutual cooptation
8. Regulated markets: internal markets, quasi-markets, voucher markets and external markets	Mainly MTM	(+)		+	+		
9. Systems for information exchange	Mainly NTM				+		
10. Advisory bodies and consultative/deliberative bodies	Mainly NTM			(+)	+		+
11. Entities for collective decision-making	Mainly NTM			+	+		+
12. Common organizations (partnership organization)	Mainly NTM (HTM)			+	+	+	+
13. Chain-management structures	Mainly NTM			+	+	+	+

Legend: +: primary use of this resource for coordination; (+): additional and limited use of this resource for coordination.
Sources: Verhoest and Bouckaert (2005); based on Verhoest et al. (2000); Verhoest et al. (2003); features based on Peters (2003).

efforts at very different levels of analysis (political, administrative and agency levels). Our typology differs from the others in three main ways. First, we distinguish between management and structural instruments. On the one hand, the coordination of tasks may be realized by creating new or changing existing structures and institutional forms within government (structural positioning – Alexander 1995 – or architecture – Hood 2005). A well-known strategy is the reshuffling of competencies between ministries or departments in response to changing contextual pressures. The creation of coordinating entities (for example a project minister), collective decision entities, regulated markets, and information structures or chain management structures are other examples of structural coordination mechanisms (Bouckaert et al. 2000; Verhoest et al. 2003; see also Alexander 1995). On the other hand, the abovementioned typologies also refer to non-structural instruments, based on, for example, planning, budget, evaluation and consultation procedures or on the creation of common cultural values. In our typology, most of these non-structural instruments are considered to refer to specific broad management systems used within the public sector, such as strategic management, financial management, and cultural and knowledge management.

Second, just like Alexander (1995), we assume some link between the specific coordination instruments and the three basic mechanisms of coordination (hierarchy, market and network). Table 3.2 lists the different managerial and structural coordination instruments and allocates the instruments to the institutional arrangement they predominantly refer to (HTM, NTM and MTM), using Peters' classification of resources and mechanisms (Peters 2003). Moreover, Table 3.2 indicates what kinds of resources for coordination capacity are activated when a specific coordination instrument is used. However, two cautionary notes should be made. As Alexander clearly points out (see also Verhoest et al. 2003), most instruments are not clear-cut, extreme manifestations of hierarchy, market or networks. Most instruments reflect attenuated degrees of hierarchy, market or networks. For example, according to Alexander (1995), the need for authority and power (hierarchy) lessens when one moves from coordinating units and coordinators, to interorganizational groups, to liaison or boundary spanners. In Table 3.2 we merely classify the instruments according to their basic interaction pattern and do not really elaborate on the different degrees of hierarchy, market or network they represent. Thus, characterizing several instruments as being basically forms of HTM does not mean that they exercise similar levels of authority and power. Some instruments will only need attenuated

levels of hierarchy. Similarly, we discern increasing levels of cooperation (NTM) when we move from simple information exchange structures between organizations, to negotiation bodies, to common steering bodies and to joint organizations.

Characterizing 'joint organizations' as an extreme form of networks points to another issue. Most instruments are to some extent hybrid and combine aspects of different mechanisms (like the combinations of networks and hierarchies in the creation of joint organizations). Moreover, depending on the context, several coordination instruments may be used in different ways. A strategic planning process may serve predominantly as a top-down task allocation or as a two-way process of establishing common strategies. Likewise, the budgetary cycle may function as a means of task allocation or as a way of creating market-like incentives linked to performance. Where necessary, we distinguish between different ways of using the same instrument.

Thirdly, our typology has a bias towards more formal forms of coordination within the public sector. There is not much attention given to coordination between organizations via interpersonal contacts and informal channels of communication. However, by referring to instruments for cultural coordination we grasp some of these more informal channels. However, our broad focus on coordination within the public sector at the central level, as well as the research methodology chosen, do not allow for an extensive analysis of informal channels for coordinating public-sector organizations. We come back to this issue when we discuss the research methodology in Chapter 4.

Now we will define the various coordination instruments more clearly, link them with other typologies, and argue why they predominantly may be considered as manifestations of HTM, MTM or NTM. We will discuss the structural instruments first and then turn to the non-structural instruments.

A first set of coordination instruments clearly associated with authority and power fall into the category of *organizational restructuring by shifting tasks and competencies* between organizations. Here, coordination is enhanced by bringing related activities together by merging organizations (see merger as an extreme level of coordination in 6 2004) or by separating them from other organizations with completely different activities. This reflects the basic principle of work division or departmentalization in organization theory (Thompson 1967; Galbraith 1973). An historical example in several countries is the creation of independent ministries of the environment by combining competencies from different departments such as health, natural resources, energy

and others, and centralizing related or overlapping activities. A number of countries, such as Australia, Canada and the United States, have created superministries which encompass a wide range of programmes by integrating (parts of) other ministries. Such superministries internalize formerly inter-ministry/interdepartmental coordination efforts (OECD 1996). On the other hand, decentralization can enhance the coordination of related policy fields. For example, in France competencies were decentralized from the central ministries to the regional *départements* because it was believed that '*interministerialité*', or coordination between policy fields, could occur better at the *département* level than at the level of the highly segregated centralized ministries. Such organizational restructuring through the transfer of competencies may also be used to change the basic principle of specialization of the involved organizations (for example, from functionally to territorially based organizations).

Reorganizing and changing lines and levels of control involves another set of hierarchy-type coordination instruments. As made clear earlier in this book, politicians and administrative superiors may issue orders through the lines of control to subordinate organizations. Changing these lines of control may also improve coordination, like letting one minister control several ministries with common or related competencies. Similarly, establishing cross-cutting lines of control, such as in matrix management or lateral management, may increase coordination.

Strongly associated with influencing lines of control is the *creation of coordinating functions or entities* (Lawrence and Lorsch 1967). Alexander (1995) distinguishes between a coordinator, respectively an individual or unit whose only or main function is to coordinate the activities of the different organizations in an inter-organizational system, and a lead organization which has, besides its coordinating function, some line functions. For instance, the OECD (1996) distinguishes between coordinating ministers without a portfolio and lead ministers. In most Western countries, the prime minister has a coordinating function with regard to the other ministers. Special units that monitor and stimulate cross-cutting policy objectives throughout the public sector can be established within the department of the prime minister. Process managers can be appointed to enhance joined-up working between agencies (Pollitt 2003). The exact position of the coordinating entity within the public sector *vis-à-vis* the other organizations will determine to what extent hierarchical authority and power as resource is used. However, most common coordinating functions or entities within the public sector imply some hierarchical difference between the coordinator and

the coordinated organizations. Moreover, their coordinating power is mostly stipulated and enforced by laws and statutes. Their task is often to streamline, monitor and control the implementation of a centrally decided specific objective, goal or policy. In that perspective, this kind of coordination instrument's 'coordinating function or entity' is to be distinguished from negotiation bodies or common steering groups which could be created by different organizations and which are more based on the principle of cooperation.

Another set of structural coordination instruments relate to the *creation of regulated markets* in order to create stimuli and sanctions that induce appropriate behaviour by public organizations. The coordination of tasks and activities by different organizations is done through mechanisms of price and competition, offer and demand. Money and incentives are crucial. Providers are mainly funded through sales to their customers and purchasers, and their demand determines the activities of the providers. Such a market can be created by government and, depending on the kind and number of purchasers and providers, the kind and level of competitition and the level of regulation, the market can be internal, a quasi-market, a voucher market or an external market.

Several coordination structures can be considered predominantly as forms which increasingly rely on solidarity and cooperation (NTM). First, the creation of *systems for information exchange and sharing* may induce organizations to take into account the actions of other organizations through processes of mutual adjustment (Galbraith 1977; Alexander 1995; Pollitt 2003 for 'joint information-gathering'; OECD 1996 for 'informed decision-making'). Through new or reoriented flows and systems of information, decision-making organizations can be better informed about the latest developments and activities of other organizations. This helps them to adjust their activities in line with those of other organizations. Through systems and arrangements for information exchange, information flows and exchange can be better organized; the development of common IT systems and joint databases is a good example of this (Pollitt 2003). Information from various organizations can also be integrated in a government-wide information system, giving a strategic overview of government activities. The focus would be on both on technical ICT systems as a basis for making information accessible as well as on the content of the information systems.

A further coordination instrument is the c*reation of consultation or negotiation bodies* (Galbraith 1973; Lawrence and Lorsch 1967). Whereas 'information systems' as a coordination instrument focus on the ICT

and other impersonal systems of information exchange, in these consultation and negotiation bodies, representatives of different organizations exchange information in one or both directions, and organizations can mutually adjust their activities based on the information exchanged. Besides information exchange, issues relevant to the different organizations can be discussed and negotiated, and even joint strategies can be elaborated. Decisions made by such bodies have to be ratified and implemented by the member organizations or by a higher body before the decision takes effect. Such bodies may be permanent or temporary, and their advice can be binding to differing degrees (legally, morally or politically). Alexander (1995) would call these 'negotiation bodies', together with the collective decision-making bodies as coordination instruments known as 'inter-organizational groups'. One could think of all kinds of committees which do not have formal decision-making power and which involve members of different organizations: advisory committees (Pollitt 2003); committees of senior-level civil servants which prepare the meetings of interministerial committees (OECD 1996); or inter-agency task forces.

Entities for collective decision-making represent even a higher level of cooperation between organizations. In contrast to the 'concertative' bodies discussed above, these entities can make binding decisions. For instance, in many countries the Cabinet meets as a collective decision-making body. Another example is the governing board of a one-stop delivery agency with representatives from the collaborating organizations or governmental levels. In some countries (in the Netherlands with '*Bestuursraden*' and in Flanders with the '*Beleidsraad*'), strategic decision-making boards consisting of senior officials of the different organizations belonging to a policy domain (departments and/or agencies) were created in order to collectively set out strategy and control the implementation of it. Such joint decision-making bodies enable joint planning and joint working more easily than weaker forms of cooperation. In the private sector this cooperation takes the form of strategic alliances (6 2004).

The most extreme form of cooperation is the creation of a *joint organization*. In this form of coordination two or more organizations create a common organization controlled by the different 'parent' organizations in order to perform joint tasks. 6 (2004) refers to project-linked joint ventures, satellites or unions (see also Alexander 1995). Other examples are public-private partnership organizations; organizations for shared services (in the field of HR, ICT, financial management, for example) controlled by different departments or agencies; or jointly owned cross-border

organizations (such as those between Northern Ireland and the Irish Republic).

Besides these more general network-type coordination structures (that is, systems for information exchange, advisory and negotiation bodies, entities for collective decision-making and joint organizations), we define one more specific type of instrument separately in our typology. *Chain-management structures* refer to structural devices used to coordinate a network of different organizations involved in subsequent steps of the production of a good, a service or a policy (Van Dalen, in Duivenboden et al. 2000). The organizations in such a chain are interdependent, their actions are sequential, and each step adds value to the end product. Within the public sector, one could define different kinds of chains depending on the level they function on, such as policy chains versus implementation chains. Or one could distinguish chains in relation to the product they aim to create; logistic chains (in defence), information or knowledge chains (in the social security field), or chains focusing on individuals (in local social policy). In the Netherlands, for example, chain-management structures and procedures have been set up in the policy areas of food safety, agriculture, asylum policy and water management (Duivenboden et al. 2000). There are also different levels of chain management. Besides self-organization, there is 'relay'-coordination, with each individual organization gearing its actions to those of organizations before and after it in the chain. In these, coordination may be more formalized through specific structures, such as a permanent body for consultation. In this body all main public (and private) actors involved in the different phases of the policy issue are represented. The consultation body may monitor the preparation, implementation and evaluation of the policy. Most of the time, all actors are involved as 'equal' partners, although one actor may take the strategic lead as chain manager.

In addition to these structural forms, we can also discern coordination instruments which do not involve a change in structures, but which rely more on procedures, incentives and values. We will refer to these different coordination instruments on a very general level by clustering them in the category of management systems. Management systems are understood here as a set of instruments and procedures which plan, monitor and evaluate the use of resources (HRM, finances, etc) or the implementation of policies.

A first set of coordination instruments is linked to the processes of the policy cycle within a government, encompassing policy design, implementation and evaluation. More specifically, this set of coordination

instruments will be labelled 'strategic management' (Bryson 1988), by which we refer to the alignment of activities of public organizations according to a system of interconnected levels of plans, objectives and targets (levels – cabinet; department; agency). Examples are the SRAs and KRAs in New Zealand. Fundamentally, coordination between organizations is fostered by giving individual organizations clear objectives within a framework of broader inter-organizational or even government-wide goals. These different levels of plans are linked to one another in order to avoid duplication, gaps and to enhance the pursuit of overarching goals. These plans are monitored and evaluated, after which plans can be adjusted and fine-tuned. Such strategic management at the government-wide level often goes hand in hand with more outcome- and effectiveness-focused modes of policy making, as well as the integration of cross-cutting issues in the planning of individual organizations (Pollitt 2003).

Intuitively, one would consider the strategic management system to be rather hierarchically oriented. The plans on lower levels are derived from the higher-level plans, objectives and targets. The process of planning relies heavily on top-down instructions and the unilateral setting of objectives and targets for lower levels. Monitoring and evaluation is a one-way process applied by higher levels over lower levels. However, this need not be the case, and strategic management processes may be designed to allow for strong bottom-up involvement. In such a more network-type variant, the process of planning on the different levels of objectives and targets has heavy input from lower levels and features a strong emphasis on negotiation. Plans at the higher level therefore consist of aggregating and integrating lower-level plans. The process of planning is bi-directional and based on consultation and involvement of lower levels. Monitoring and evaluation of progress is a joint process between the different levels by joint committees or networks.

Moving from a top-down to a bottom-up system, we may distinguish between four types of strategic management.[7] The first type is strategic management in the form of a detailed common planning instrument, integrating policy objectives in terms of effects with the specific contributions of individual agencies to these objectives in terms of inputs, activities and outputs. In 2000 Canada introduced the Result-based Management Accountability Framework as a condition for approval of programmes by the Treasury Board. In the case of horizontal initiatives it details the role and contribution of each partner. Such detailed planning instruments provide clear, explicit guidelines for organizations involved and enable a transparent accountability system. However,

collective policy objectives are not always easily chopped into pieces and tasks for individual organizations. Moreover, such a system may suffer from a lack of ownership and may constrain innovation and creativity at the level of individual organizations. More common is a 'cascade' system, where general policy objectives are linked to more concrete objectives at the level of the individual organization. Mostly, the individual organizations make this link themselves, which is then reviewed by some central department. The New Zealand strategic management system in the 1990s using Strategic Result Areas (SRAs) and Key Result Areas (KRAs) is a typical example of this. This system allowed for a clear view on how policy outcomes are supported by organizational outputs as well as for a reconciliation of top-down and bottom-up input. Still, the risk of artificial linkages between higher and lower objectives remains and the cost of monitoring progress at the different levels can be very high. A third model would be to allow organizations themselves to develop strategic partnerships with other organizations in order to achieve objectives for which these organizations are collectively responsible. Such objectives are then defined at the outcome level, or represent final outputs to which organizations have to deliver as chain-partners. This model obviously stimulates ownership and creativity but also assumes substantial autonomy, a strong strategic vision, and sufficient goodwill and capacity at organizational level to make collaboration possible. Moreover, the role of central departments is more facilitating than directive. The New Zealand new-generation strategic management programme 'managing for shared outcomes' would fit in that scheme. In the UK, shared public-service agreements may set joint objectives for departments.

The fourth model of strategic management is the most loosely coupled, in that it only sets out a broad collective mission for the whole government, which acts as guidance for the day-to-day work of public-sector organizations. However, no monitoring systems are attached, which makes it dependent purely on the goodwill of individual organizations. Again in New Zealand, the State Service Commissioner developed a set of State Development Goals for periods of five years; the encompassing goals were 'being the employer of choice, excellent state servants, coordinated state agencies'. Here, strategic management was more a tool to develop a corporate culture, rather than a fully fledged planning and guidance instrument.

The budget process gives rise to another set of powerful 'tools of coherence' (OECD 1996), for three reasons. First, the budget process involves all policy sectors. Moreover, it gives a cyclic opportunity to assess the

strategic orientation for the future and, third, it plays an important role in setting and monitoring the policy priorities of government. If we take it more broadly, the *financial management system,* encompassing processes and instruments of budgeting, accounting and auditing, can be used as a coordinating vehicle in different ways, depending on the dominant emphasis on authority, market or cooperation principles. The set of instruments may entail budgetary guidelines, framework letters, expenditure review committees, bilateral negotiations and conflict resolution processes, budgetary advice at the centre, formats, systems and provisions for accounting and audits (OECD 1996, 1999).

The role and capacity of the ministry (ministries) of budget and finance, as well as its relations with line ministries and other central ministries, is of course crucial to the effectiveness of this set of coordination instruments. Different dimensions in budget and financial management systems may have coordinating effects. First, the focus and content of financial management systems may help to align the tasks and efforts of different actors. This can be done by assigning objectives and means to individual organizations, or by linking individual organizations to common cross-cutting or outcome-oriented objectives. Moreover, because of its time frame, the budget cycle may have a coordinating function over time. A multi-year budget system coordinates expenses (and sometimes policies) between different moments in time. Finally, budget and financial management systems often entail consolidation techniques and formats, enabling the aggregation of information across organizations and policy domains.

The hierarchical, input-oriented budget process defines clearly what resources should be spent on, and in great detail. There is not much autonomy for organizations to spend the budget as they see fit. Making savings are expressed as unilateral demands, to which all organizations have to comply with. Through the budget, policy priorities are set and communicated downwards.

Alternatively, financial management systems can be more result-oriented, with a heavy emphasis on organizational incentives for performance. The focus of the financial management system is on providing incentives to organizational units to increase their performance. The budget is linked to the expected or past performance (price times quantity: p*q) of the organizations, and financial sanctions in case of underperformance are possible. Such budgeting is a precondition for creating (quasi-)markets. In such systems budgets, accounts and audits will be geared towards the performance of individual organizations and hence they will be accrued. Negotiations on the exchange of financial resources

for delivered services, competition and benchmarking between public (and private) organizations are important elements in such a system.

However, financial management systems can also be used to foster joined-up working and cooperation between public organizations. In such a perspective, the focus of the financial management system is on the consolidation of financial and performance information across organizations and policy fields. The emphasis is on information consolidation and exchange, new budget formats, geared towards horizontal policies (for example, outcome- or programme-based budgets), as well as joined and exchangeable budgets in order to achieve cross-cutting objectives (OECD 1996; Pollitt 2003; 6 2004). If organizational or individual incentives for collaboration are present in financial management systems, they are heavily geared towards joined-up activities and cooperation (Pollitt 2003). Such financial management systems oriented towards collaboration will usually include great flexibilities for budget shifts between organizations and years, a limitation of input controls, as well as a longer time-span (say, three years).

Another set of coordination instruments relates more to human resources as a important resource. *Interorganizational culture and knowledge management* is a somewhat heavyweight label for all activities that enhance coordination and cooperation by fostering shared visions, values, norms and knowledge between organizations (Weick 1994). As such, this set of coordination instruments fosters the creation and growth of inter-organizational networks (Kickert et al. 1997; Klijn and Koppejan 2000) and hence is predominantly linked to the network-type coordination mechanism. An affiliated concept in private-sector management literature is 'inter-organizational learning', the creation of common rules and knowledge (explicit knowledge) and common values, norms, habits and routines (latent knowledge) (Holmqvist 1999; Hjalager 1999; Levinson and Minoru 1995). This could be done by means of the development of cross-cutting skills among staff; common education (for example, the Ecole Nationale d'Administration in France) or common training; management development; mobility of staff between organizations; collocation; and the creation of systems for inter-organizational career management and competence management (Alexander 1995; Pollitt 2003). Some countries (such as Australia, Canada, the USA, New Zealand, the UK and the Netherlands) have experimented with the creation of a 'senior executive service', which gathers, develops and rotates senior civil servants among departments as well as agencies (Halligan 2003). The introduction of behavioural and ethical codes for civil servants may be another vehicle for creating such

common values and norms. Although somewhat debatable, we also may include here the more informal cultural contexts and processes that may influence politico-administrative behaviour to a large extent (OECD 1996). One could think of politicization or partisan control of (senior) civil servants (Rouban 2003). A strong affiliation of public managers to political parties may create informal networks and may have a socialization function with respect to common objectives and values. Also, more broad politico-administrative settings in a country may enhance common culture. For example, traditionally the New Zealand central government, which is based in Wellington, was known for its close relationships between politicians and senior civil servants, with high levels of mutual interaction. The consensual culture is referred to as the 'Wellington village' culture.

A last set of coordination instruments, which is somewhat of a catch-all category, refers to procedures for mandatory consultation or review for policy proposals, draft legislation or other plans (Alexander 1995). Some countries use forced points of passage during preparation of policy initiatives, with ministries having to comment on policy proposals that potentially affect their own policy. Australia has, for example, a procedure for 'co-ordination comments' for new policies (OECD 1996). Also, review procedures of draft legislation with respect to, for example, regulatory quality are quite common, and they may involve the assessment of the extent to which the draft legislation is in line with government policies or cross-cutting issues in order to avoid conflict or duplication among programmes (OECD 1996). Policy audits and evaluation, such as landscape reviews in the UK, may also have a coordination function as long as they are focused on horizontal objectives and on the policy effects of the interplay of different public organizations involved in policy implementation.

3.3 Conclusion: a typology of coordination mechanisms and coordination instruments

In this chapter we developed a typology of coordination instruments and linked them to the three dominant coordination mechanisms that we distinguished. In sum, the three fundamental modes of coordination in the public sector are elaborated in this chapter as follows (Verhoest and Bouckaert 2005):

1 Coordination by hierarchy-type mechanisms (HTM): HTM refer to a set of coordination mechanisms which are based on authority and

dominance. They involve the setting of objectives and rules, allocation of tasks and responsibilities and establishing lines of direct control and accountability. Both management instruments (such as procedural rules, top-down planning systems or traditional input-oriented financial management systems) and structural instruments (such as organizational mergers, coordinating function, direct lines of control and accountability) can be used.

2 Coordination by network-type mechanisms (NTM): NTM are based on mutual interdependencies and trust. NTM search for the establishment of common knowledge, common values and common strategies between partners. While most cooperative networks grow 'spontaneously' between organizations, governments may create, take over and sustain network-like structures between organizations by, for example, the creation of common information systems, concertation structures, collective decision-making structures, or even common partnership organizations. Inter-organizational learning instruments such as culture management may foster common knowledge and values.
3 Coordination by market-type mechanisms (MTM) (OECD 1993): MTM are based on competition and exchange between actors, aiming to create incentives for performance. Although markets establish 'spontaneous' coordination among the market participants, governments can 'purposefully' create and guard markets (for example, internal and quasi-markets) to foster coordination by competition among organizations.